

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, . Docket No. 13-53846  
MICHIGAN, .  
 . Detroit, Michigan  
 . November 27, 2013  
Debtor. . 9:03 a.m.  
. . . . .

HEARING RE. APPLICATION PURSUANT TO SECTIONS 901, 1002 AND  
1003 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 2014 FOR  
ENTRY OF AN ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT  
OF LAZARD FRERES & CO., LLC, AS FINANCIAL ADVISOR TO THE  
OFFICIAL COMMITTEE OF RETIREES AS OF SEPTEMBER 3, 2013  
(DOCKET 1476); MOTION FOR MODIFICATION OF AUTOMATIC STAY  
AND THE STAY EXTENSION ORDER (DOCKET #1377)  
BEFORE THE HONORABLE STEVEN W. RHODES  
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Debtor: Jones Day  
By: ROBERT W. HAMILTON  
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Columbus, OH 43215  
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Miller, Canfield, Paddock & Stone, PLC  
By: TIMOTHY A. FUSCO  
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Detroit, MI 48226  
(313) 496-8435

For the Official Dentons  
Committee of By: CLAUDE MONTGOMERY  
Retirees: 1221 Avenue of the Americas  
New York, NY 10020-1089  
(312) 632-8390

Court Recorder: Letrice Calloway  
United States Bankruptcy Court  
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Proceedings recorded by electronic sound recording,  
transcript produced by transcription service.

1 THE CLERK: All rise. Court is in session. Please  
2 be seated. Case Number 13-53846, City of Detroit, Michigan.

3 THE COURT: Good morning. I'd like to proceed first  
4 with the motion to approve the appointment of Lazard.

5 MR. MONTGOMERY: Good morning, your Honor. Claude  
6 Montgomery, Dentons, for the Retiree Committee. I am pleased  
7 to say that the debtor and the committee have resolved the  
8 debtor's limited objection, and we filed last night on the  
9 docket, Number 1832, a stipulation and a proposed order to  
10 which the city has consented and the fee examiner has no  
11 objection. So if we may, your Honor, we'd like you to enter  
12 that order.

13 THE COURT: Would anyone in the courtroom like to  
14 say anything about this?

15 MR. HAMILTON: Good morning, your Honor. Robert  
16 Hamilton of Jones Day on behalf of the City of Detroit.  
17 Counsel's representations are accurate. The city's objection  
18 has been resolved. There is no agreement at this time to pay  
19 a transaction fee to Lazard. Any transaction fee that is  
20 ultimately requested would be subject to the city's consent,  
21 the Retiree Committee's approval at a later time, and would  
22 be subject to the fee examiner's review for reasonableness at  
23 a later time, but at this time all of the city's objections  
24 have been resolved.

25 THE COURT: Thank you. Mr. Fishman, are you on the

1 line? I'd asked Mr. Fishman to be on the line to see if he  
2 had any comments about this. Have you all been in touch with  
3 him about this?

4 MR. MONTGOMERY: Your Honor, I can represent to you  
5 that Mr. Ellman from Jones Day sent the fee examiner an e-  
6 mail with the attached proposed order, and he responded that  
7 he had no objection, which is why the stipulation so  
8 indicates.

9 THE COURT: All right. Thank you. Is there a  
10 representative of Lazard here?

11 MR. MONTGOMERY: No, there is not. We advised them  
12 yesterday that the city had withdrawn its objection.

13 THE COURT: Well, let me put the question I would  
14 have asked to that person to you instead.

15 MR. MONTGOMERY: Yes, sir.

16 THE COURT: Can you describe in plain English that  
17 the members of the constituency that you represent will  
18 understand what it is Lazard will be doing for \$125,000 a  
19 month?

20 MR. MONTGOMERY: \$175,000.

21 THE COURT: \$175,000 a month.

22 MR. MONTGOMERY: Your Honor, I can tell you with  
23 certainty that the committee spent a full day interviewing  
24 professional advisors and then more than a full committee  
25 meeting dealing with the negotiations associated with the

1 retention of Lazard, so I believe the committee is fully  
2 informed as to both what Lazard can do, and they have advised  
3 Lazard, in fact, I would say rather directly of their  
4 expectations of Lazard as well, your Honor.

5 THE COURT: Well, my question wasn't really focused  
6 so much on the committee. I'm sure they are fully advised.  
7 My question was in plain English that the constituents that  
8 they represent can understand, the retirees themselves, what  
9 Lazard is going to be doing.

10 MR. MONTGOMERY: I think in plain English, they are  
11 going to be trying to vet the debtor's financials and trying  
12 to help the committee and its counsel develop a financial  
13 plan that actually works for the retirees with respect to  
14 funding of the pension plans as part of a plan of arrangement  
15 and funding of the OPEB benefits as part of a plan of  
16 arrangement.

17 THE COURT: And approximately how many hours a month  
18 do you expect Lazard employees to be working for that monthly  
19 fee?

20 MR. MONTGOMERY: I have no fixed expectation in that  
21 regard, your Honor, and I don't believe the committee does  
22 either. And importantly, your Honor, in that regard, this  
23 was not an hourly engagement. Again, the committee did  
24 interview financial advisors who were willing to be engaged  
25 on an hourly basis, and their projections on a monthly basis

1 were substantially in excess of what Lazard is proposing to  
2 charge. In effect, your Honor, I think for the benefit of  
3 the Retiree Committee, both the advisors and the committee  
4 were looking at this as if it was a Chapter 11 style  
5 financial advisor.

6 THE COURT: Well, I'm sure that's so, but you're  
7 talking about public money.

8 THE COURT: Yes, your Honor, and, again, the  
9 committee vetted the pricing of all of the constituent -- of  
10 all of the competitors, and there were a number of  
11 competitors who were invited, many of whom are quite well-  
12 known and quite well-established, and Lazard was simply the  
13 winner on all counts. And these were both local and national  
14 firms that were involved, your Honor. And I might also add,  
15 your Honor, because you're clearly thinking about this, the  
16 safety valve of the fee examiner is obviously there, and  
17 the -- Lazard is required to agree with the fee examiner not  
18 only on the summary explanation but whatever other details  
19 short of an hourly billing arrangement that the fee examiner  
20 wants, and those conversations will happen. And given our  
21 first brush with the fee examiner, I'm confident that they  
22 will be a detailed inquiry.

23 THE COURT: Well, all right. I'm going to grant  
24 this but only on an interim basis. I want someone from  
25 Lazard to be here to answer these questions --

1 MR. MONTGOMERY: Yes, sir.

2 THE COURT: -- perhaps at our next hearing, which is  
3 when, Chris? December --

4 THE CLERK: December 16th.

5 THE COURT: December 16th.

6 MR. MONTGOMERY: I will so advise Lazard, and they  
7 will be here.

8 THE COURT: On an interim basis, this is approved,  
9 and we'll have a final hearing on this at that time.

10 MR. MONTGOMERY: Thank you, your Honor.

11 THE COURT: All right. Let's turn our attention to  
12 the motion for relief from stay in the Mobley matter.

13 MR. FUSCO: Good morning, your Honor. Timothy  
14 Fusco, Miller Canfield, for the city.

15 THE COURT: Who's not here?

16 MR. FUSCO: The ACLU or Dykema.

17 THE COURT: Have you had any contact with them? Are  
18 they planning to be here? Do you know?

19 MR. FUSCO: I have no -- I have not heard. A reply  
20 brief was filed last week, but, no, I've not heard from --

21 THE COURT: All right. In the circumstances, we'll  
22 pass on this matter and move on to the lighting transaction.

23 (Proceedings concluded at 9:11 a.m.)

## INDEX

WITNESSES:

None

EXHIBITS:

None

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett

December 1, 2013

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Lois Garrett